

Private School Choice Programs Fiscal Management Training

Overview

School Finance Auditors
Parental Education Options



Welcome to the Wisconsin Department of Public Instruction's training module for the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training.

The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. This training is based on the requirements in these statutes and rules. Provisions of this training module are subject to statutory and rule changes.

This section of the training provides an overview of the Choice Program.

Private School Choice Programs

MPCP

- Milwaukee Parental Choice Program (MPCP)
- Students residing in the City of Milwaukee

RPCP

- Racine Parental Choice Program (RPCP)
- Students residing in the Racine Unified School District

WPCP

- Wisconsin Parental Choice Program (WPCP)
- Students residing in Wisconsin outside the City of Milwaukee and the Racine Unified School District



There are 3 Private School Choice Programs in Wisconsin. Schools can choose to participate in 1, 2, or all 3 of the programs.

Participation in any of the programs is based on where the student resides.

Students who reside in the City of Milwaukee should apply to the Milwaukee Parental Choice Program. Students who reside in the Racine Unified School District should apply to the Racine Parental Choice Program. Students who reside in Wisconsin, but do not reside in either the City of Milwaukee or the Racine Unified School District, should apply to the Wisconsin Parental Choice Program.

The applicant will be required to provide documentation showing that he or she currently resides at the address stated on the application.

New School Financial Requirements

- Wisconsin Statute 118.60 (7m) and 119.23 (7m) require that schools new to the Choice programs submit one of the following to the DPI by May 1:
 - The DPI Budget & Cash Flow Report, including all related attachments; or
 - A Surety Bond

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Wisconsin Statute 118.60 (7m) and 119.23 (7m) require that schools new to the Choice programs submit one of two items by May 1 in advance of the first school year a school participates in the Choice programs.

The options are to either submit the DPI Budget & Cash Flow Report, including all related attachments, or provide a surety bond.

If the school chooses the surety bond option, it will be required to annually provide a surety bond by May 1 in advance of the school year until the requirements to remove the bond are met.

If the School Chooses the DPI Budget & Cash Flow Report

- The required DPI Budget & Cash Flow Report is posted on the [School Submitted Reports](#) webpage.
- The budget must show the school meets the following requirements:
 - The school is financially viable.
 - The school has sufficient contingency funding.
- Schools must use the DPI Budget & Cash Flow Report, including providing required supplemental information to support the budget.
- DPI determines if the school meets the requirements by August 1.
- Schools that select the budget option do not need to provide a budget to DPI after the first school year unless it is specifically requested by the DPI.

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The second option is the DPI Budget & Cash Flow Report. This report gets posted on the School Submitted Reports webpage. Schools that choose this option must provide a budget that shows the school is financially viable and that the school has sufficient contingency funding.

Financially viable means that the school is able to pay for goods and services, make debt service payments, and pay other obligations as they become due. In addition to being financially viable, the school must also have sufficient contingency funding. Contingency funding is funding that will be used if the school's actual enrollment is less than expected. These must be funding sources that are not already being used in the budget.

The budget must be completed on DPI's Budget & Cash Flow Report. The completed report and all the required attachments must be provided by May 1. Any budgets submitted by May 1 will be reviewed by the DPI. The DPI will determine if the school's budget meets the requirements by August 1.

Between May 1 and August 1, DPI will be in contact with schools to update any parts of the budget and cash flow report, if required. Additionally, DPI will ask questions and request additional documentation to ensure the school meets the budget requirements.

Schools that select the surety bond option do not need to submit a budget unless it is

specifically requested by DPI. However, they are subject to an annual budget requirement, which will be discussed further in the next slide.

Annual School Budget Requirements

- Schools that participated in one of the Choice programs in the previous year and new schools that choose the surety bond option must complete a budget for the upcoming school year by June 30. This budget should cover the period from July 1 to June 30.
- These budgets should not be sent to DPI unless specifically requested.
- The external auditor will determine if the budget was completed on a timely basis as part of the Fiscal & Internal Control Practices Report.
- The school may use DPI's budget form or their own form.

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Schools that participated in one of the Choice programs in the previous year, known as continuing schools, and new schools that choose the surety bond option must complete a budget for the period from July 1 to June 30. The annual budget for the upcoming school year must be completed no later than June 30.

These school budgets should not be submitted to DPI unless specifically requested.

Instead, the school's auditor will determine if the budget was completed on a timely basis as part of the Fiscal & Internal Control Practices Report. The school should be able to provide the auditor with evidence that the budget was prepared by June 30th. An example of this evidence would be minutes from a Board meeting approving the school's budget.

For this annual school budget due on June 30th, schools may use DPI's budget form or their own form.

Annual School Budget Requirements (Cont)

If schools use their own budget form, it must include the following items:

1. Anticipated enrollments for all pupils enrolled in the school (Sept & Jan)
2. Anticipated enrollments for choice program pupils (Sept & Jan)
3. Total revenues
4. Offsetting Choice program revenues
5. Total cost
6. Eligible education expenses
7. Schedule of anticipated beginning and ending net assets
8. Identification of the contingent funding sources the school will use should actual enrollments be less than expected.
9. The budget must also include the beginning and ending reserve balance

***See On Demand Training 6-3 for additional information.**

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Schools subject to the May 1 new school budget requirements MUST use the form provided by DPI, but as previously mentioned, continuing schools generally have the option of using either their own budget form or a form provided by DPI. The DPI budget form is available on the DPI website under “School Submitted Reports” which is under “Information for Schools”. If the school uses its own budget, the budget must first include the following items: the anticipated all pupil count and Choice pupil count for the 3rd Friday in September and the 2nd Friday in January. Please see the 3rd Friday and 2nd Friday Count Report training for additional information about these count dates.

Next, the budget must include the total revenues and the revenues that are offsetting for the Choice program. The Financial Audit Bulletin available online describes what revenues are offsetting revenues. The budget must also include total costs and identify the eligible education expenses. The department has an Eligible Education Expense bulletin available online that describes how eligible education expenses must be determined. The budget must include a schedule of anticipated beginning and ending net assets.

The budget must also identify what funding sources the school will use if the school’s actual enrollment is less than expected. These must be funding sources that are not already being used in the budget. For example, if the school identifies that its line of credit will be used as contingency funding but anticipates fully using the line of credit for two months during the year, then the line of credit would not be a sufficient source of contingency funding. Lastly, the budget must also include the beginning and ending reserve balance. Note that schools are not required to use the accrual basis of accounting during the school year but are required to prepare the budget using the accrual basis of accounting and include the net asset balances in its budget.

See On-Demand Training 6-3 for additional information on the annual school budget

requirements.

Use of the Budget & Cash Flow Report for Schools that Use the Surety Bond Option

- DPI recommends that schools use the DPI Budget & Cash Flow Report to meet the Choice budget requirement because:
 - It includes all the required components of the budget for Choice program purposes.
 - It tracks your Choice reserve balance. This is the difference between what you have received from the Choice program and what is an eligible education expense for Choice program purposes. Your school is required to maintain a cash and investment balance that is at least as much as this amount.

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DPI recommends that continuing schools and bond schools use the DPI Budget & Cash Flow report for their annual June 30 budget because it includes all the required components of the budget and determines your Choice reserve balance.

The Choice reserve balance is the difference between what you have received from the Choice program and what is an eligible education expense for Choice program purposes.

Your school must maintain a cash and investment balance that is at least as much as the Choice reserve balance.

Use of the Budget & Cash Flow Report for Schools that Use the Surety Bond Option (cont)

- If you choose not to use DPI's budget and cash flow report, you will want to make sure you gain an understanding of the required components of the budget so you can create an annual budget that meets DPI's requirements.



If you choose not to use DPI's budget for the annual school budget requirement, you must gain an understanding of the required components of the budget to create an annual budget that meets DPI's requirements.

Ongoing Financial Requirements

1. External auditor selection
2. Fiscal & Internal Control Practices*
3. Enrollment audits
4. Financial audit

*This requirement includes the independent auditor checking the school's annual June 30 budget.

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We will now go through the general financial requirements for the Choice programs, including the process for schools to select an external auditor and the required audit and agreed-upon procedure reports that the external auditor will complete.

The first report that will need to be completed by your auditor for your school is the Fiscal & Internal Control Practices Report. As we previously discussed, the auditor will review the school's annual June 30th budget as part of this report.

In addition, your auditor will perform two enrollment audits and an annual financial audit.

External Auditor Selection

- The school must select an auditor to complete the audit and reports that are required every school year.
- A list of auditors who complete Choice audits and reports and the auditor authorization form are available on the [Auditor webpage](#).
- An auditor authorization form must be completed identifying this auditor. This form should be emailed to dpichoiceauditreports@dpi.wi.gov by **August 15** (if August 15 falls on a weekend, the form is due by **the following weekday**)
- Generally, the auditor cannot be someone who completes bookkeeping or other non-audit services for the school.

*See On Demand Training 3-3 for additional information on the auditor requirements and information on how to complete the form.

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Schools must select an auditor to complete the financial audit and agreed-upon procedures reports that are required every school year.

Once an auditor has been selected, an auditor authorization form must be completed, identifying the auditor that the school will use. This form should be generally be provided to DPI by August 15th. If August 15th falls on a weekend, the form is due the following weekday.

Keep in mind that generally the selected auditor cannot also complete bookkeeping or other non-audit services for the school.

The auditor authorization form and a list of auditors who complete Choice audits and reports are available on the Auditor webpage.

Training 3-3 available on the On-Demand Training webpage provides additional information on auditor requirements and completing the form.

Fiscal & Internal Control Practices Report

- The Fiscal & Internal Control Practices Report is due to DPI by December 15th each year.
- Fiscal & Internal Control Practices examined as part of this report include:
 - Vendor and employee payment requirements
 - Transportation requirements
 - Insurance requirements
 - Employee education requirements
 - Background checks

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I will now provide a short overview of the audit and agreed-upon procedures that the auditor will be engaged to provide. I will start with the Fiscal & Internal Control Practices Report.

The auditor annually prepares a Fiscal & Internal Control Practices Report that determines if the school is meeting the program's fiscal and internal control practices. The completed report is due to DPI by December 15th each year. This report includes items such as: verifying that the school is paying vendors and employees on time, verifying that the school is complying with the transportation and insurance requirements, and verifying that the school is meeting the employee education and background check requirements.

The first set of trainings you had to complete prior to this training discussed the fiscal and internal control practices requirements. These trainings are available on the department's On-Demand Training webpage.

Enrollment Audits

- An independent auditor must complete procedures required by the law to determine that the 3rd Friday in September and the 2nd Friday in January counts are correct.
- September Enrollment Audit is due December 15th
- January Enrollment Audit is due:
 - WPCP & RPCP participants: first weekday in May
 - MPCP only participants: last weekday in June

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I will now provide an overview of the Enrollment Audits. An independent auditor must complete procedures as required by the law to determine that the 3rd Friday in September Pupil Count Report and the 2nd Friday in January Pupil Count Report are correct. As part of the Enrollment Audit, the auditor will determine if the school's Choice student applications were eligible and if the students met the attendance requirements.

The September Enrollment Audit is due by December 15th for all schools.

For participants in the Wisconsin Parental Choice Program and the Racine Parental Choice Program, the January enrollment audit is due by the first weekday in May of each year.

If the school only participates in the Milwaukee Parental Choice Program, the January Enrollment Audit is due by the last weekday in June. Please note that the school must complete and submit the January Enrollment Audit by the last weekday in May if it is participating in the Wisconsin or Racine Program even if it does not have any students in either of these programs.

Furthermore, if the school is required to submit the January Enrollment Audit by the first weekday in May, the audit must include all Choice programs the school participates in, including the Milwaukee Parental Choice Program.

Enrollment Audits (cont.)

- As part of the Enrollment Audit, the auditor will identify the following:
 - Ineligible Choice pupils
 - Choice pupils included in the count that require corrections to DPI's data.
 - Pupils that were not included in the Choice count but should be added because they meet all the requirements based on the procedures performed.

* See On Demand Training 9 for additional information on enrollment audits. Also see the Application Related Bulletins for more information.

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As part of the Enrollment Audit, the auditor will identify any ineligible applications. Examples of reasons why a student may be determined ineligible include:

- The pupil did not meet the attendance requirements, or
- The pupil has an incomplete application.

If any application information must be corrected for a student, the auditor will also identify this as part of the Enrollment audit. The auditor will also identify if there are students that should have been included in the pupil count report as a Choice pupil but were not.

If anything that would require a change to DPI's data is identified after the count report is submitted, the change can only be made through the Enrollment Audit.

Financial Audits

- Prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- The financial audit is audited by an *independent auditor*.
- The fiscal year for the financial audit and budget must be the school year from July 1 to June 30.
- Choice schools that receive less than \$100,000 annually in all of the Choice programs plus the Special Needs Scholarship Program (SNSP) in all previous school years and the school year being audited, may submit a modified financial audit to the DPI. Otherwise, the school must complete a standard financial audit.

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Lastly, I will discuss the financial audit. The financial audit must be prepared in accordance with Generally Accepted Accounting Principles and be completed by an independent auditor.

Please note that all schools participating in the Choice programs must have a fiscal year from July 1st to June 30th. This must be the fiscal year used in the financial audit and the budget. If a school does not have July 1st to June 30th as their fiscal year, the school must change their fiscal year to match these dates.

Choice schools that have received less than \$100,000 annually, in all previous years and the current year being audited, from all the Choice Programs including the Special Needs Scholarship Program, may submit a modified financial audit to DPI. Otherwise, a standard financial audit must be completed for the school.

Financial Audits (cont.)

Modified Financial Audit:

- Statement of Financial Position-includes assets and liabilities (current year audited only)

Standard Financial Audit Required Financial Statements:

- Statement of Financial Position-includes assets and liabilities
- Statement of Activities-includes revenue and expenses
- Statement of Cash Flows-shows how cash was generated & used during the year

Standard Financial Audit Required Years:

- All of the statements must include an audited current and prior year.
- The only exception is the first standard financial audit. In the first year a standard financial audit is submitted, the Statement of Activities and Statement of Cash Flows may only include current year audited financial information.

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The required financial statements for the financial audit depend on whether the school uses the modified financial audit option or standard financial audit option.

Modified financial audits must include the statement of financial position for the current year. The statement of financial position is similar to the balance sheet. It includes the assets and liabilities of the school.

The standard financial audit must include the statement of financial position, statement of activities, and statement of cash flows. The statement of activities is similar to the income statement. It includes the revenue and expenses for the school. The statement of cash flows shows how cash was used during the year.

The financial statements in the standard financial audit must include the financial information for the current and previous school year. The financial information for both years must be audited by the auditor. The only exception is if it is the first time a school is submitting a standard financial audit. In the first year a standard audit is submitted, the statement of activities and statement of cash flows may only include the current year audited financial information.

Financial Audits (cont.)

- The financial audit may either:
 - Include school-only financial information, or
 - Be prepared at the consolidated level, as permitted by Generally Accepted Accounting Principles (GAAP), if the school is part of a larger organization.
- If the financial audit is prepared at the school only level:
 - The audit must include all activity and balances of the school, including allocating any shared assets, liabilities, revenue, & expenses between the larger organization and the school.
 - The school must separately track its cash balance throughout the year and reflect that balance in the statement of financial position.

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If a school is part of a larger organization, the financial audit may be prepared at the consolidated level, as permitted by GAAP or at the school only level.

If the financial audit is prepared at the school only level it must include all activity and balances of the school, including allocating any shared assets, liabilities, revenue, and expenses between the organization and the school.

Additionally, the school must track the its cash balance throughout the year and reflect that balance in the statement of financial position.

Choice Reserve Balance Schedule

- The financial audit includes a reserve balance schedule to calculate the school's Choice reserve balance.
- The reserve balance schedule for the standard financial audit calculates eligible education expenses as the expenses in the Statement of Activities less any ineligible expenses.
- The reserve balance schedule for the modified financial audit includes eligible education expenses by category and identifies what expenses of the legal entity of the school have been excluded from eligible education expenses.

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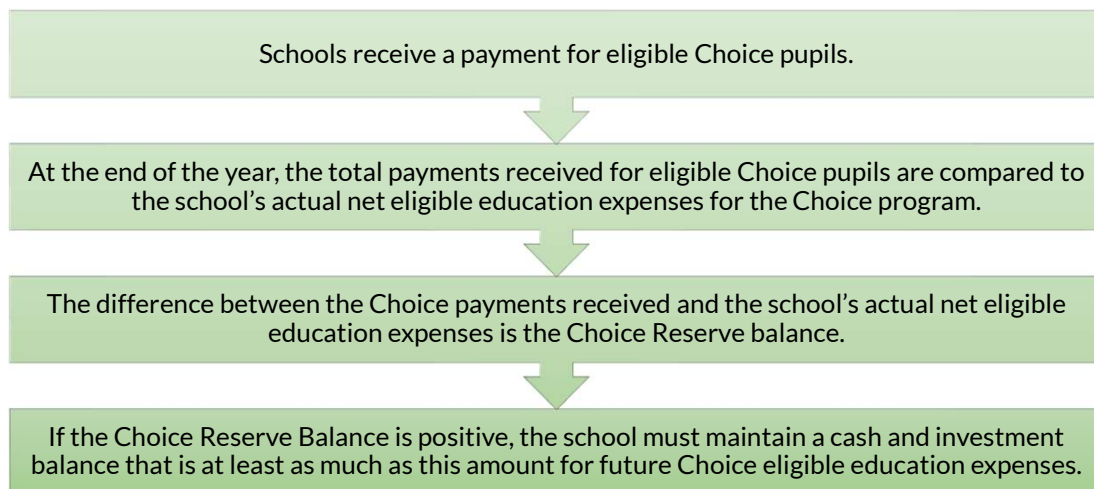


The financial audit includes a reserve balance schedule to calculate the school's Choice reserve balance.

The reserve balance schedule for the standard financial audit calculates eligible education expenses as the expenses in the statement of activities less any ineligible expenses.

The reserve balance schedule for the modified financial audit includes eligible education expenses by category and identifies what expenses of the legal entity of the school have been excluded from eligible education expenses.

Overview of Choice Program Funding



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I will now give an overview of how Choice Program funding works.

Your school will receive a payment for eligible Choice pupils.

At the end of the year, the total payments received for eligible Choice pupils are compared to the school's actual net eligible education expenses for the Choice program.

The difference between the Choice payments received and the school's actual net eligible education expenses is the Choice reserve balance.

If the reserve balance is positive, the school must maintain a cash and investment balance that is at least as much as this amount for future Choice eligible education expenses.

The program revenue included in the reserve balance calculation is the Choice program revenue related to the school year and the revenue received from the Choice program for summer school. If the school offers summer school, it is considered to be revenue for the following fiscal school year. For example, revenue from summer school held in 2023, would be considered revenue for the 2023-24 fiscal school year.

Available Resources

On Demand Trainings

- K4 Parental Outreach (Training 1-3)
- Auditor Authorization Form (Training 3-3)
- Surety Bond and New School Budget & Cash Flow Report (Training 3-5)
- Financial Audit Requirements (Training 5)
- Fiscal & Internal Control Practices (Training 6)
- Payment Process, Pupil Count Overview, Audit Overview (Training 9-1)
- Count Reports (Training 9-2 & 9-3)
- Report Cards, Student Information System, and WISEdata (Training 4-1)

<https://dpi.wi.gov/parental-education-options/choice-programs/on-demand-training>

Bulletins

- Financial Audit and PSCP/SNSP Reserve Balance Bulletin
- PSCP Eligible Education Expenses Bulletin
- K4 Parental Outreach Activities Bulletin
- Tuition and Fees Bulletin
- Criminal Background Check Bulletin
- Staff Credentials Bulletin
- Insurance and Fidelity Bulletin
- Summer School Bulletin
- Accreditation Bulletin

<https://dpi.wi.gov/parental-education-options/choice-programs/bulletins>



This training was intended to serve as a general overview of Choice requirements. The department has additional on-demand trainings and bulletins available to help schools understand programmatic requirements. Schools are encouraged to review these trainings and bulletins throughout the year when you have questions on the Choice program requirements.

The Auditor Authorization form training explains how the school selects an auditor and authorizes the department to share confidential pupil data with that auditor.

The Surety Bond and New School Budget & Cash Flow Report training describes the surety bond compared to budget and cash flow report options. The financial audit requirements trainings describe the annual financial audit requirements. The Fiscal & Internal Control Practices Report trainings, go through each of the Fiscal & Internal Control Practices that the school is required to meet. Finally, the last two trainings describe the payment process and the Choice pupil count reports.

The department has a bulletin on the Financial Audit and the PSCP/SNSP Reserve Balance that describes the financial audit and how the reserve balance schedule works. The PSCP Eligible Education Expenses Bulletin describes what expenses can be eligible.

Questions?

Audit or budget questions should be sent to:

dpichoiceauditreports@dpi.wi.gov

General program questions should be sent to:

privateschoolchoice@dpi.wi.gov

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If you have questions on this training, including questions on the budget and cash flow report, please email dpichoiceauditreports@dpi.wi.gov. This mailbox is monitored by all of the Choice program auditors.

If you have general Choice program questions, they should be directed to the Choice program consultants at privateschoolchoice@dpi.wi.gov.

Thank you for your time.